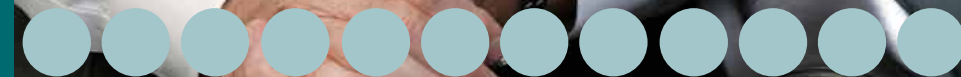




Together, we are

Solutions



Mission

Making our communities healthy.

Vision

Extraordinary innovation, quality, health care.

Values

The FCHP way: We focus on our members, supporting them in being as healthy as they can be at a cost they can reasonably afford.

Member-driven: We support our members in a caring and compassionate way, advocating for them as they navigate through the complexities of the health care system, and exceeding their expectations for service.

Innovative: We anticipate evolving health care needs and create innovative, common sense solutions.

Accountable: We set high standards for ourselves focused on our strategic priorities, and we hold ourselves accountable for achieving high-quality results with integrity.

Teamwork: We win as a team and perform the best when we work together collaboratively.

Our mission is a simple one: *making our communities healthy*. As evidenced by our consistent recognition as one of America's top health plans, we continue to focus on what matters most: the health and well-being of the people in the communities we serve.

During this time of unprecedented change in health care, our customers' needs are our top priority and something we truly understand. After all, we're consumers too—and equally interested in how changes in health care affect our lives and the lives of our families.

Throughout 2012, the health care system continued to evolve. But our focus and commitment to develop quality-based, affordable health care solutions never changed. Fueled by passion, pride and a deep commitment to our mission, our team of more than 1,100 employees makes solutions happen every single day.

Fallon Community Health Plan is like no other health plan I know. We continue to rely on our core values to reach new heights: **we're member-driven and accountable, relying on teamwork and innovation in everything we do**. These aren't just words to us. As you will see in this year's report, we have a distinguished track record of results and national recognition. I'm very proud of this as well as our employees and all they do to demonstrate, day after day, that FCHP is part of the solution.

In 2012 alone, we created a breadth of smart solutions as well as strengthened and expanded many exceptional products, programs and services already in place. Through these solutions, you'll find that Fallon Community Health Plan is working hard to shape the future of health care so that the many communities we serve continue to achieve a greater quality of health and well-being.

Regards,



Patrick Hughes
President and Chief Executive Officer

Problem solvers. That's how we see ourselves at Fallon Community Health Plan. We anticipate the evolving health care needs of our members and provide practical, common sense solutions.

We've been working as problem solvers for 35 years—bringing innovative solutions to the forefront of the markets and communities we serve. FCHP was the first to introduce solutions such as:

- Becoming one of the first health plans in the country to have a Medicare HMO. More than 30 years ago, FCHP began offering Fallon Senior Plan™, which is today one of America's highest-ranked Medicare HMOs.
- The first limited network in Massachusetts in 2002. FCHP introduced individuals and businesses to the concept of receiving quality care from a high-performing, cost-effective provider network.
- The elimination of copayments for routine and well-child care in 2005. FCHP made preventive care a priority years before it was federally mandated.
- Partnering with providers to establish global payment arrangements that put patient care first. Today, nearly 50% of FCHP members receive care from doctors and hospitals that are reimbursed through a global payment arrangement.

Our leadership solutions help us to fulfill our mission of *making our communities healthy*. We invite you to learn more about the solutions we provided in 2012 throughout this year's annual report.

Regards,



David W. Hillis
Chairman, Board of Directors

In 2012, FCHP once again led the way, building upon its history as leaders in innovation by anticipating and responding to our members' needs for increased:

Ways to stay healthy

Our wellness programs are not extras, but essentials in helping our members to be—and become healthy—all while keeping health care costs down.

Opportunities for affordable care

We developed more affordable product options for our members, such as tiered network products for Western and Central Massachusetts.

Coordinated care and coverage

We expanded the service area for Fallon Senior Plan™ and for NaviCare®, our Medicare Advantage Special Needs Plan/Senior Care Options program. In partnership with Magellan Health Services, we established Fallon Total Care, an integrated care organization to serve the health care needs of individuals aged 21 to 64 years who are eligible for both Medicare and Medicaid.



With change comes opportunity

In 2012, FCHP worked as a community of problem solvers to provide health care solutions that met the diverse and changing needs of the many different communities it serves.

Our community's aging population is growing in numbers, diversity and their demand for more customized health care services. Additionally, more than 29% of Americans act as a caregiver to an older relative or friend, often trying to balance caregiving with their professional and personal life.

Source: National Family Caregiver Association, www.nfca.org.

Since 1995, Summit ElderCare®, FCHP's **Program of All-Inclusive Care for the Elderly (PACE)**, has helped frail elders remain living in the community as an alternative to nursing home care. Participants receive personalized attention and comprehensive and coordinated care that meets the needs of the whole person, while also helping to relieve some of the caregiver's burden. In 2012, Summit ElderCare became the largest PACE in New England and the fifth largest program in America.

In 2012, FCHP completed the largest Medicare service area expansion in its 35-year history. As a result, **Fallon Senior Plan**, a Medicare Advantage plan and one of America's first Medicare HMOs, and **NaviCare**, a Medicare Advantage Special Needs Plan/Senior Care Options program, became available to Medicare beneficiaries in Barnstable, Bristol, Essex, Hampden, Hampshire, Middlesex, Norfolk, Plymouth, Suffolk and Worcester counties and portions of Franklin County.

A leader in senior care services, FCHP continues to create opportunities to provide complete, coordinated and personalized health care to even more Medicare beneficiaries throughout the Commonwealth.



"As members of Fallon Senior Plan, my husband and I are so pleased with the excellent and affordable care we've received during each of our cancer treatments. Today, we remain proud Fallon Senior Plan members as well as long-time volunteers at FCHP's Summit ElderCare."

—Mary Buckley,
Fallon Senior Plan member
and Summit ElderCare
volunteer

"I can honestly say that I would probably not be around if it wasn't for my Navigator, Rachel. She helps me with everything from transportation to my treatments to monitoring my medication. My Navigator goes above and beyond, and we've become a team with my providers. I can't tell you how happy NaviCare has made me."

— John Frohock, NaviCare member, with
Rachel Waterhouse, Navigator

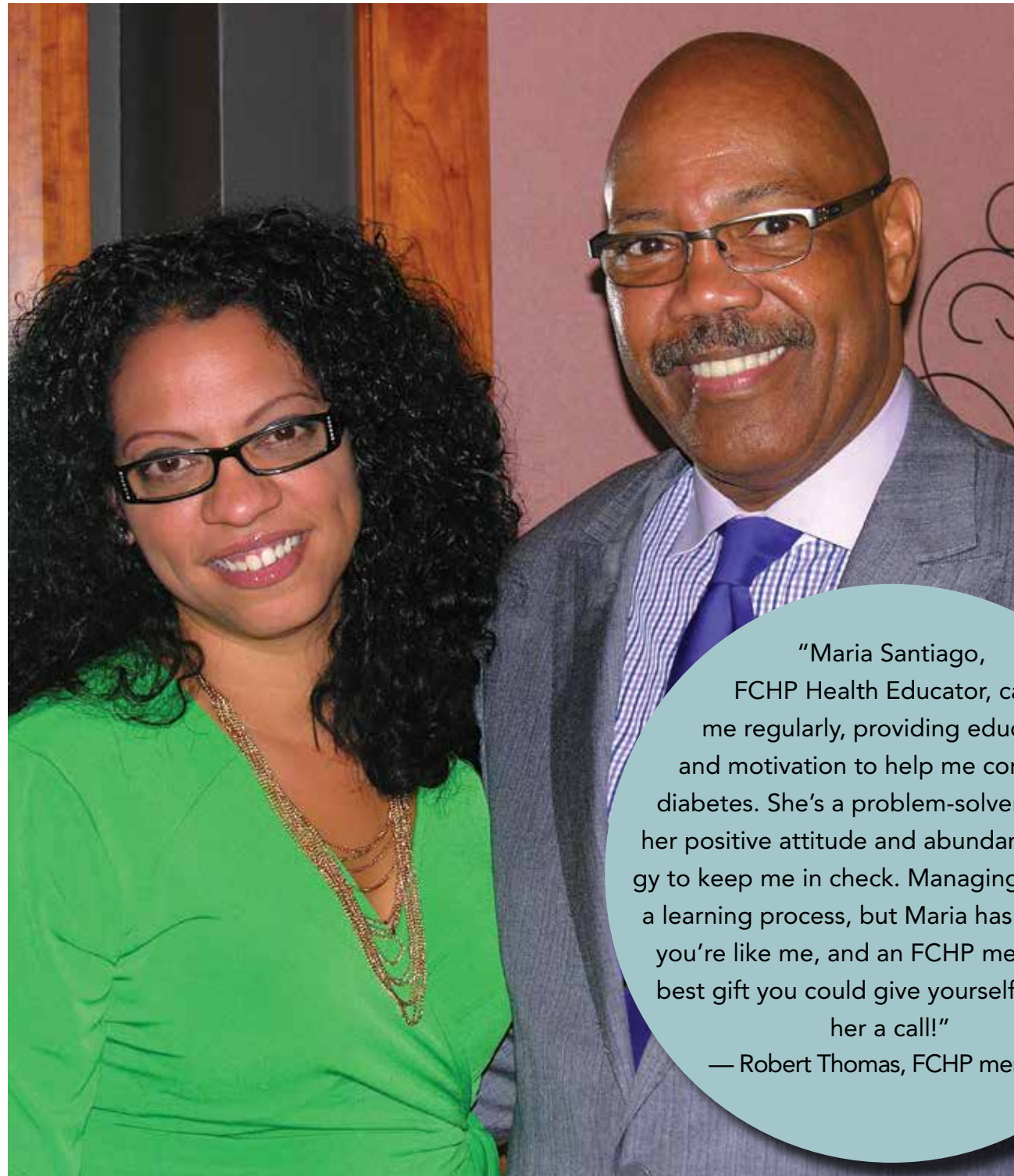


"I've made it my life's work to take care of my wife Eleanor as she took care of me and our children. In my wildest dreams, I didn't think I'd find a health care program of the high caliber that we found at Summit ElderCare. I am able to work part-time with the peace of mind that Eleanor is safe, enjoying social activities and receiving medical attention. Everyone on our support team is like family and puts us at ease, constantly asking, 'Is there anything else we can do for you?'."

— Ken Taylor, husband of
Summit ElderCare participant

Achieving and maintaining good health not only prevents illness and chronic disease, such as obesity, hypertension and diabetes, but can significantly decrease health care costs for everyone. Cigarette smoking alone costs the economy over \$193 billion in annual health care costs and lost productivity.* It goes without saying that preventive measures go a long way to improving health care outcomes.

*Source: American Lung Association



“Maria Santiago, FCHP Health Educator, calls me regularly, providing education and motivation to help me control my diabetes. She’s a problem-solver and uses her positive attitude and abundance of energy to keep me in check. Managing diabetes is a learning process, but Maria has my back. If you’re like me, and an FCHP member, the best gift you could give yourself is to give her a call!”
— Robert Thomas, FCHP member

FCHP has always recognized the value of comprehensive health and wellness programs. Developing solutions that offer a full spectrum of programs and services ensures that our members at every stage of life remain as healthy and productive as possible, and that they receive the appropriate care in the appropriate setting.

In 2012, FCHP continued its cost of care efforts to eliminate duplicative, unnecessary or inappropriate care, as well as support health and wellness programs that improve the quality of care. FCHP’s **Cost of Care program** led to \$5 million in savings last year alone.

For chronic health conditions, like asthma, diabetes, coronary artery disease and heart failure, FCHP’s **disease management programs** help to improve the quality of life of our members. FCHP Health Educators serve as advisors to help members stay healthy now and in the future. In 2012, Health Educators began to offer coaching sessions at customer worksites and added an Asthma Home Environment Assessment component to the Asthma Management Program. The Disease Management 2012 Member Satisfaction survey results showed 99% of engaged members would recommend the disease management program to their family and friends.

FCHP’s **tobacco treatment program, Quit to Win**, consistently attains 12-month quit rates at or above 30% — more than twice the National Cancer Institute’s benchmark for success! In 2012, FCHP Quit Coaches delivered more than 2,000 face-to-face sessions at community-based and worksite locations throughout Massachusetts and more than 900 telephonic coaching sessions.

Tools and programs that encourage members to take charge of their own health are an important part of FCHP's mission of *making our communities healthy*. In 2012, FCHP offered online tools such as Nurse Connect, which provides free 24/7 access to registered nurses; a personal wellness profile that provides an overall picture of current health and wellness; and Healthwise Knowledgebase® to help members to better understand various illnesses and conditions and offer tips to stay as healthy as possible.

In addition, FCHP supported parents-to-be with two programs: **Oh Baby!**, which provides prenatal vitamins, a child care book and even a free car seat, and **Special Deliveries**, a free maternity care management program for women with high-risk pregnancy-related health needs.

It Fits! continues to be one of the most robust and comprehensive health rewards programs offered by any Massachusetts health plan. In 2012, more than one third of FCHP members took advantage of this benefit, receiving up to a \$400 reimbursement for a wide variety of fitness-related activities, including skiing, road races, gym memberships, sports programs, cardiovascular home fitness equipment and even Weight Watchers®.

"The hardest thing I've ever done is quit smoking. FCHP's Quit to Win program gave me my confidence as well as the support I needed in a convenient and affordable program. The people became like family, especially my Quit to Win coach, Brenda, who helped me to be accountable and responsible. Seven years later, I still participate in the program and even became a Tobacco Treatment Specialist so that I can give back."

— Jerry Willette, FCHP member



Community Harvest Project,
Grafton

In 2012, FCHP awarded \$121,000 in grants through its Community Benefits Grants program to support innovative, community-based programs aimed at improving access to good nutrition and promoting physical activity; providing health and social services for seniors; or preventive health and social services for children during the first five years of life. With FCHP's support, 12 organizations from across the Commonwealth were able to expand their reach.

- The Bridge of Central Massachusetts, Worcester
- Boys & Girls Club, Worcester
- Community Harvest Project, Grafton
- Elder Services of Berkshire County, Inc., Pittsfield
- Hilltown Community Health Center, Inc., Huntington
- Mass Audubon Society, Lincoln
- Merrimack Valley Food Bank Inc., Lowell
- Regional Environment Council, Inc., Worcester
- Tri-Valley Inc., Worcester
- The Massachusetts Association for the Blind and Visually Impaired, Brookline
- Stanley Street, Fall River
- Square One, Springfield



"Fallon Community Health Plan has been an instrumental partner, supporting our work to build an engaged and healthier community by bringing volunteers together to grow fresh fruits and vegetables for hunger relief. FCHP became part of the solution by supporting our efforts to increase access to nutritious food for more families throughout the region and educate young people on the importance of healthy food choices and utilization of fresh produce in their diets. We're so grateful for this partnership and realize that we couldn't make the impact that we do without the support of like-minded organizations such as FCHP."

— Kristin Bafaro
Executive Director,
Community Harvest Project

As a not-for-profit, mission-driven organization, FCHP remains committed to finding ways to contribute to the health and well-being of the communities it serves, creating solutions through collaboration, innovation and funding of programs and initiatives that support our mission of *making our communities healthy*.



"As a long-time advocate in the fight against hunger, I applaud Fallon Community Health Plan's efforts and continued commitment to work towards a solution. By taking a leadership role, FCHP is ensuring food pantries across the Commonwealth can provide countless families with good food and hope for a better tomorrow."

— U.S. Rep. James McGovern
(D-MA)

In 2012, FCHP held its seventh annual Golf and Gather FORE a Cause event, bringing together more than 80 organizations to raise funds that positively impact families and individuals in crisis, providing them with the food they need. Together, FCHP and its partners raised more than \$200,000, which was distributed to 104 **hunger relief** organizations and food pantries throughout Massachusetts.

In 2012, FCHP provided \$1.5 million in support of 331 community-based organizations. Each dollar represents FCHP's commitment to being a part of the solution in improving the health and well-being of people across the Commonwealth.

Each year, FCHP's **community outreach** helps to sponsor numerous activities that are aligned with its mission and that encourage employees to live the mission by providing volunteer time as an employee benefit. In 2012, FCHP employees participated in the United Way Day of Caring, the Canal Diggers 5K, the Central Mass Heart Walk and many more health and wellness-focused events.

- Every year, FCHP randomly chooses 30 employees to participate in its Pay it Forward program. Employees receive an opportunity to become everyday heroes by distributing money to a charity of their choosing. In 2012, FCHP employees distributed grants to more than 30 organizations across Massachusetts.

As a leader in the health care field, FCHP takes seriously the value of civic responsibility. That's why FCHP responds swiftly to the immediate needs of the community, going **above and beyond** to provide support when needed most. In 2012, FCHP contributed to the Red Cross' efforts to help victims of Superstorm Sandy and was the first to replace thousands of dollars in stolen gifts from St. Anne's Church in Shrewsbury, as well as to assist Square One's Chestnut Street Children's Center in Springfield in its recovery after a natural gas explosion.

"Within days of the Springfield Main Street explosion, Fallon Community Health Plan came to our rescue with a mountain of over \$4,000-worth of toys to bring holiday cheer to the more than 100 Square One children affected. The extraordinary effort and care they put into purchasing toys for each child and personally delivering it to our location made a great impact on our community. In addition, Fallon Community Health Plan helped in our recovery and relocation efforts, providing \$20,000 in funds that we used for learning developmentally-appropriate materials, equipment, furniture, etc. which made all of the difference in our recovery."

— Kimberley Lee, Vice President,
Square One



Square One,
Springfield

What's one way to find better health care solutions that improve health outcomes and quality, drive down costs, and provide more choices? Partnerships. Building partnerships means building a better health care system. In 2012, FCHP continued to partner with respected, like-minded health care organizations in Massachusetts and beyond to develop quality-based, affordable solutions.

As a pioneer in developing limited networks, FCHP leveraged its experience and partnered with Steward Health Care System to create **FCHP Steward Community Care**, providing more options for high-quality, cost-effective care to individuals and businesses in Eastern Massachusetts.

In 2012, Massachusetts became one of the first states in the country to launch an integrated care program, offered by the Centers for Medicare & Medicaid's Federal Coordinated Health Care Office, for adults aged 21 to 64 who are dually eligible for both Medicare and Medicaid. In response to this opportunity, FCHP partnered with Magellan Health Services, a leading provider of behavioral health services, to create **Fallon Total CareSM**, an integrated care organization. Fallon Total Care brings together Magellan's clinical expertise in behavioral health services and FCHP's significant capabilities and experience in managing the health care needs of individuals eligible for both Medicare and Medicaid.



"Working together, Magellan and FCHP bring an innovative and clinically-driven solution to Massachusetts, incorporating physical and behavioral health to treat the whole person. Our goal in partnering with Fallon Community Health Plan is to fundamentally change how health care is delivered so that we can improve quality and outcomes, making an immediate difference in the lives of those who will be served by the new integrated care organization we've created together."

— Scott Markovich, Magellan Health Services
Senior Vice President for Medicaid Strategy

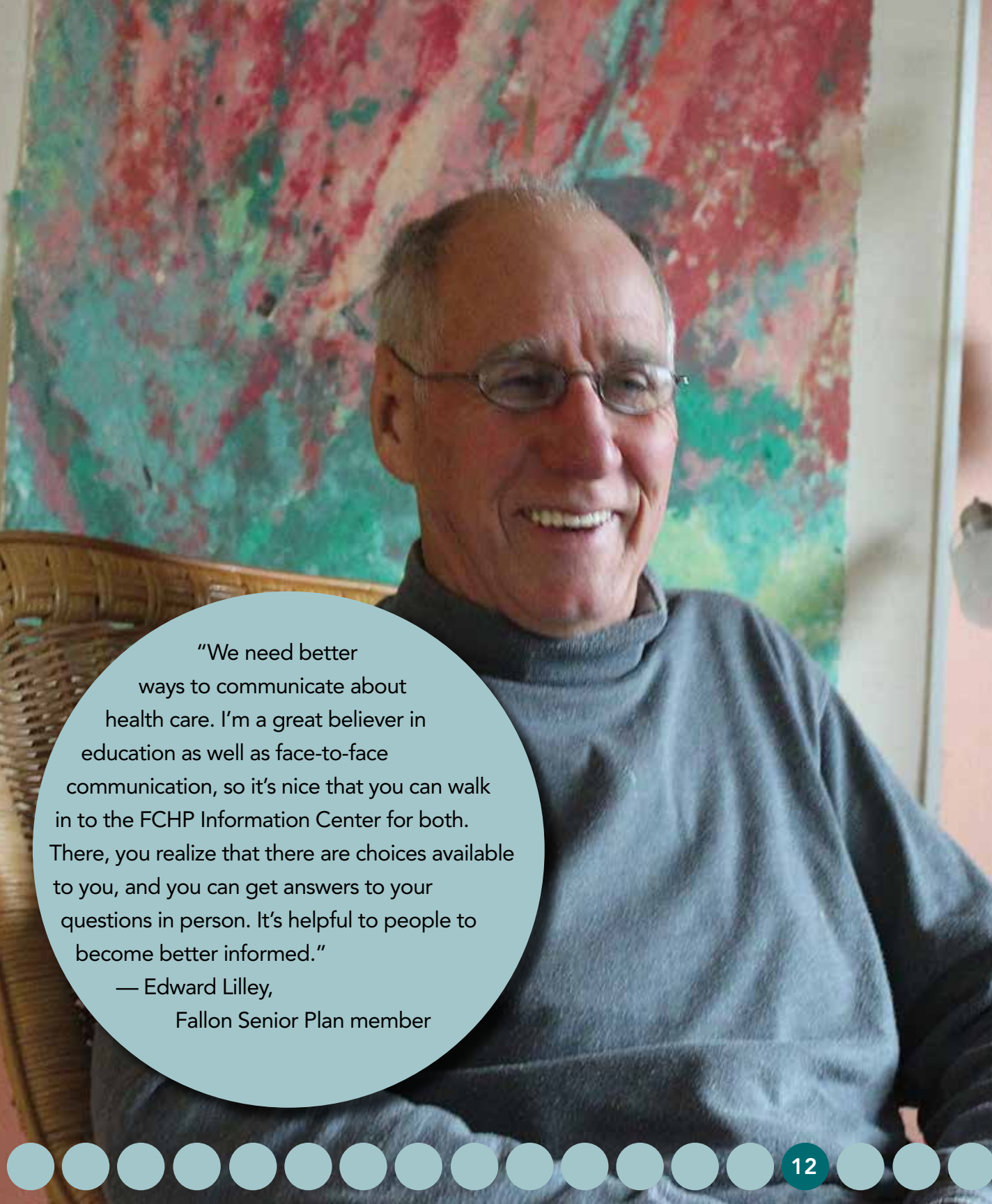
As the United States health care system transforms, what role is FCHP playing to help shape future solutions?

At Fallon Community Health Plan's second annual **Coordinated Care and Coverage Conference**, FCHP brought together an elite audience of more than 200 national and regional health care providers and business leaders, as well as legislators and current and former government administrators to discuss the opportunities and challenges of integrated approaches to care and coverage for seniors and other populations at our second.

Donald Berwick, former Administrator of the Centers for Medicare and Medicaid Services and Former President and CEO of the Institute for Healthcare Improvement, served as keynote speaker. Responding to a post-conference survey, 96% of attendees rated the conference as worthwhile. Nearly all responded that they gained insight and will take action on what they learned. "I appreciate FCHP bringing us all together," wrote one guest, "as we work collaboratively to improve our state's and country's health care system."

"What is possible is in this room. You can't say exceptional coordinated care for all can't be done. It can be done. It's not like we don't have the cure. We have the cure."

— Dr. Donald Berwick
2012 Keynote Speaker
Coordinated Care and Coverage
Conference



"We need better ways to communicate about health care. I'm a great believer in education as well as face-to-face communication, so it's nice that you can walk in to the FCHP Information Center for both. There, you realize that there are choices available to you, and you can get answers to your questions in person. It's helpful to people to become better informed."

— Edward Lilley,
Fallon Senior Plan member

Not only did FCHP lead the way with its Coordinated Care and Coverage Conference, it also became the **first health plan in Massachusetts to create an information center**, a "store-front," members can visit to get questions about their insurance or health care options answered. **The FCHP Information Center** is a place where people can meet with health insurance professionals in person as well as take advantage of onsite wellness programs, such as yoga and Silver Sneakers® and health screenings. The Information Center, located in Shrewsbury, Mass., has created an innovative space for dialogue and transparency for FCHP members as well as the community. From its opening on October 22, 2012, to year-end, more than 1,200 community members visited, taking advantage of the many services offered.

2012 spotlight on solutions

Fallon Community Health Plan achieves two national top 10 rankings from the National Committee for Quality Assurance. FCHP's Medicaid HMO was ranked the number one Medicaid health plan in America and its Medicare HMO was ranked 8th in America and number one in Massachusetts. Additionally, FCHP's commercial HMO/POS product was ranked 33rd out of 474 plans.*

Validates FCHP's commitment to its mission and its focus on improving the health of all members.

FCHP launches a tiered product, Tiered Choice, in Western and Central Massachusetts, and a limited network product, Steward Community Care, in Eastern Massachusetts.

Provides highly-affordable options, meeting the needs of individuals and businesses across the Commonwealth.

Provides a forum for change as we work toward building a more sustainable and equitable health care system.

FCHP partners with Magellan Health Services to create Fallon Total Care™, an integrated care organization. Fallon Total Care has been selected to participate in a new, three-year demonstration program to provide integrated health care to individuals aged 21 to 64 years who are eligible for both Medicare and Medicaid.

FCHP expands Fallon Senior Plan and NaviCare service areas - the largest service area in FCHP history.

Makes high-quality, affordable health care coverage accessible to more residents across the Commonwealth.

FCHP opens a new information center in Shrewsbury, the first of its kind in Massachusetts.

Exceeds our customers' expectations for service.

FCHP donates more than \$1 million in charitable giving to the communities it serves.

Responds to the communities' needs by supporting initiatives that align with our mission of making our communities healthy.

Fallon Senior Plan and NaviCare both receive a 4.5 star rating (out of a possible 5 stars) from the Centers for Medicare and Medicaid Services.

Ensures an optimal member experience by meeting clinical quality, patient satisfaction and compliance with regulatory requirements

* According to NCQA's Health Insurance Plan Rankings 2012-13.

Founded in 1977, Fallon Community Health Plan is a nationally recognized, not-for-profit health care services organization. From innovative health insurance products available throughout Massachusetts for all populations, to unique health care programs and services for independent seniors, FCHP supports the diverse and changing needs of all those it serves.

Fallon Community Health Plan, Inc., and Subsidiaries
Consolidated Statements of Financial Position

	2012	As of December 31, 2011	2010
	(in thousands)		
Assets			
Cash and investments	\$361,140	\$334,536	\$269,462
Premiums and other receivables	25,214	26,037	34,045
Property and equipment, net	35,697	33,178	36,457
Investment in joint venture	3,492	2,186	2,233
Prepaid expenses	1,613	2,339	1,878
Total assets	<u>\$427,156</u>	<u>\$398,276</u>	<u>\$344,075</u>
Liabilities and net assets			
Medical claims payable	\$181,340	\$164,118	\$167,716
Unearned premiums	8,725	16,313	15,171
Account payable and accrued expenses	38,201	49,090	26,376
Total liabilities	<u>228,266</u>	<u>229,521</u>	<u>209,263</u>
Net assets	198,890	168,755	134,812
Total liabilities and net assets	<u>\$427,156</u>	<u>\$398,276</u>	<u>\$344,075</u>

Fallon Community Health Plan, Inc., and Subsidiaries
Consolidated Statements of Income and Changes in Net Assets

	Year ended December 31,		
	2012	2011	2010
	(in thousands)		
Revenues			
Premiums	\$1,155,313	\$1,140,137	\$1,130,382
Investment income	20,596	14,357	19,368
Other income	1076	317	69
Total revenues	1,176,985	1,154,811	1,150,069
Expenses			
Cost of benefits provided	1,024,009	994,022	1,046,365
General and administrative	137,679	122,328	112,510
Total expenses	1,161,688	1,116,350	1,158,875
Net gain (loss)	15,297	38,461	(8,806)
Unrealized (loss) gain on investments	8,981	(7,016)	4,336
Change in pension plan funded status	5,857	2,498	(936)
Increase (decrease) in net assets	30,135	33,943	(5,406)
Net assets at beginning of year	168,755	134,812	140,218
Net assets at end of year	\$198,890	\$168,755	\$134,812

Fallon Community Health Plan Board of Directors

Alan J. Gayer
David R. Grenon
Richard P. Houlihan, Esq. – Vice Chairman
David W. Hillis – Chairman
Patrick Hughes – FCHP President and Chief Executive Officer
Christian W. McCarthy - Treasurer
Frederick M. Misilo, Jr., Esq., Fletcher Tilton, P.C.
Joseph N. Stolberg
Ann K. Tripp
Lynda Young, M.D.
Counsel: Steven Epstein, Esq., Epstein, Becker & Green, P.C.

Fallon Community Health Plan Executive Team

Patrick Hughes, President and Chief Executive Officer
Richard Burke, President, Senior Care Services and Government Programs
Jesse Caplan, Esq, Chief Legal Counsel, Epstein, Becker & Green, P.C.
Christine Cassidy, Vice President Corporate Communications
Richard Commander, Senior Vice President and Chief Operating Officer
Patricia Forts, Vice President, Strategy and Business Development
Elizabeth Malko, M.D., Executive Vice President and Chief Medical Officer
David Przesiek, Senior Vice President, Sales and Marketing
Linda St. John, Senior Vice President and Chief Human Resources Officer
R. Scott Walker, Executive Vice President and Chief Financial Officer



Fallon Community Health Plan

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One Chestnut Place
Worcester, MA 01608
1-800-333-2535
fchp.org

Holyoke, MA office

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Holyoke MA 01040

Raynham, MA office

756 Orchard St.
Raynham, MA 02767

Summit ElderCare®

Karen Longo, Executive Director
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1-800-698-7566
summiteldercare.org

Clinical sites

277 E. Mountain St.
Worcester, MA 01606
1369 Grafton St.
Worcester, MA 01604

88 Masonic Home Road
Charlton, MA 01604

55 Cinema Blvd.
Leominster, MA 01453

Home Staff LLC

(joint ownership with VNA Care Network & Hospice)
Anne Marie Brightman,
Chief Executive Officer
homestaff.com
Greater Worcester Region
40 Millbrook St.
Worcester, MA 01606
1-800-779-3312

Western Mass. Region
1111 Elm St., Suite 34
West Springfield, MA 01089
1-800-380-0066

UltraBenefits, Inc.

(a wholly owned subsidiary of FCHP)
James Bushey, President
29 E. Mountain St.
Worcester, MA 01606

Fallon Total CareSM

(joint ownership with Magellan Health Services)
Mary E. Ritter, President and CEO
100 N. Parkway
Worcester, MA 01605